



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

May 2, 2008

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: Senate Bill No. 2153 SD1 HD1

On May 1, 2008, Senate Bill No. 2153, entitled "A Bill for an Act Relating to Income Tax Credit," became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

The stated purpose of this bill is to meet the Constitutional mandate, as required under Article VII, Section 6 of the Hawaii Constitution to provide a refund or credit to the taxpayers of the State of Hawaii. This refund must be given when the revenues of the State of Hawaii exceed the State's general fund balances by at least 5% for two consecutive years.

This bill makes a mockery of the Constitutional provision that recognized the State should not retain the taxpayers' money when it has collected more revenues than is required to operate. The Constitutional provision for a refund was enacted in 1978. Since that time there have been 18 times previously when the refund threshold was reached and the Legislature was obliged to return funds to the residents of this state. Regrettably in all by five occasions, only a single \$1 was returned.

The token amount in this year's bill comes at a time when families in Hawaii are facing increased costs of living. On Oahu, for example, the cost of gasoline, vehicle fees, property taxes, electricity, and water and sewer service rose an average of 70% since 2002. On the neighbor islands the increases have ranged from 50% on the island of Hawaii to 74% on Kauai.

These increases, coupled with a slowing economy, argue that this is indeed the time when returning money to consumers should be part of the economic stimulus package of this state. It is ironic that tax rebates recently were enacted by Congress, but the majority-party-controlled Legislature of this state does not agree with their Congressional colleagues and provides what some have called a "Scrooge-like pittance" to our population.

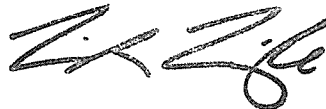
What is particularly unfortunate is taxpayers will not be able to reclaim their token \$1 until they file their taxes in 2009.

It is wrong to claim that the State cannot afford tax relief. In December of 2007 I presented a six-year balanced budget to the State Legislature that included \$102 million in targeted tax relief for Hawaii's families. I have periodically adjusted this budget to reflect changing economic conditions and last month again issued an updated balanced financial plan that included tax relief. To claim that tax relief is not fiscally possible is to not be honest with the people who support us--the taxpayers of this state. It should be noted that legislators have found the resources to increase their own salaries by over 60% over the next several years.

My Administration remains proud of the tax reforms we have successfully enacted over the past six years, including increasing the standard deduction, widening the tax brackets, and providing some tax credits. But this is not enough, and I will continue to champion genuine, long-term tax relief to the citizens of our state.

In keeping with the Constitutional requirement, I allowed Senate Bill No. 2153 to become law as Act 58, effective May 1, 2008, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Lingle', with a stylized, cursive script.

LINDA LINGLE